

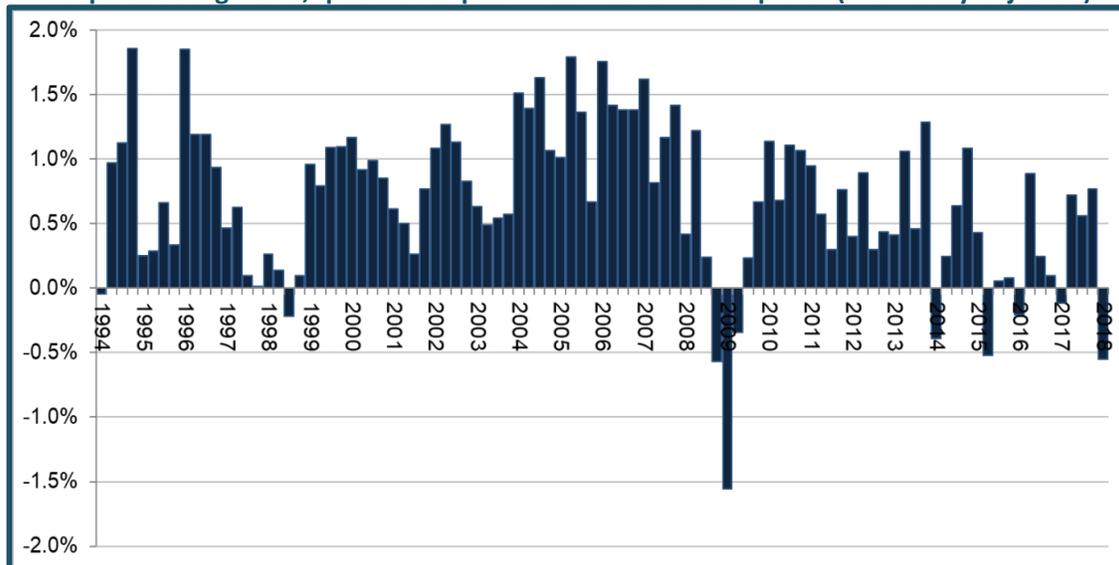
GDP growth

South Africa's GDP shrank by an estimated 0.5% in the first quarter of 2018, although the estimated decline may be overstated for technical reasons. The contraction partially offset the gains in growth experienced in the last three quarters of 2017.

The first quarter of 2018 saw the economy shrink over the previous quarter, partially offsetting the gains in growth experienced in the last three quarters of 2017 (see Graph 1). That period of growth represented the most stable and prolonged period of growth reported since 2014.

GDP estimates have shown negative growth in the first quarter in the past three years, with the 0,5% fall reported in 2018 following falls of 0.2% and 0.4% in the first quarters of 2016 and 2017 respectively. This pattern appears to reflect difficulties in managing the seasonal adjustment of the GDP estimates. Together with a very unusual petroleum export in late 2017 and the impact of the drought on harvests in the Western Cape, that suggests that the decline in the GDP in the first quarter of 2018, and the growth in most of 2017, may have been exaggerated.

Graph 1: GDP growth, quarter on quarter in constant 2010 prices (seasonally adjusted)



Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded www.statssa.gov.za in June 2018.

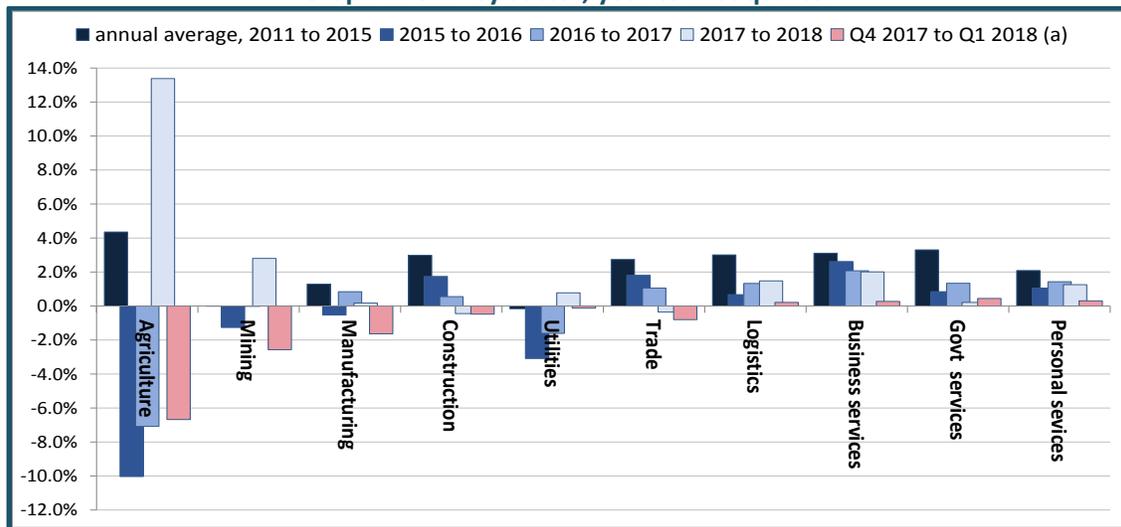
At a sectoral level the strong recovery in agricultural sector growth in 2017 through the end of the 2015/16 drought was partially offset by a 6.7% decline in reported growth between the fourth quarter of 2017 and the first quarter of 2018. This was presumably attributable to the drought in the Cape areas, which affected wheat and citrus harvests in the first quarter of 2018. The seasonal variation in the data suggests that the increased frequency and intensity of droughts since 2014 have generally made it harder to undertake seasonal adjustments of GDP estimates.

The manufacturing sector grew by 0.2% in the year to the first quarter of 2018, but shrank 1.6% in the first quarter of 2018 compared to the fourth quarter of 2017. The decline in manufacturing occurred on the back of declining demand and exports in the first quarter of 2018. Mining expanded by 2.8% in the year to the first quarter of 2018. It contracted some 2.6% in the first quarter of 2018, however, mostly due to problems in platinum and the steel value chain.

The construction sector witnessed a continued decline of 0.4% in the year to the first quarter of 2018 and shrank by 0.5% from the final quarter of 2017 to the first quarter of 2018.

A decline in government services contributed 10% to the reported fall in the GDP in the first quarter of 2018, reflecting the impact of the current austerity policy.

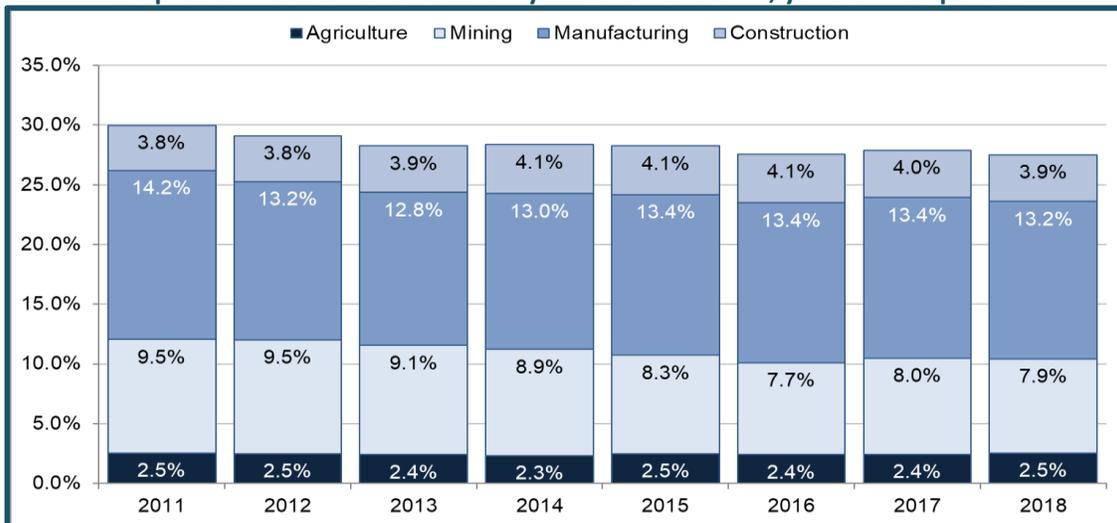
Graph 2: GDP by sector, year to first quarter



Note: (a) seasonally adjusted. Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded www.statssa.gov.za in June 2018

The share of the real economy in GDP has remained at just below the 28% mark over the past three years, with the relative shares of the each of the real economy sectors remaining almost the same in that period (see Graph 3). Mining fell from 2011, when the commodity boom ended, to 2015, and then its share stabilised at around 8%; manufacturing also stabilised, although its share shrank slightly in 2018; and construction continued the decline of recent years. The recovery in agriculture was evident from the increase in its share in the GDP from 2,4% in 2016 and 2017 to 2.5% in 2018, partially offset by the decline due to the Western Cape drought in the first quarter of 2018.

Graph 3: Share of the real economy sectors in the GDP, year to first quarter

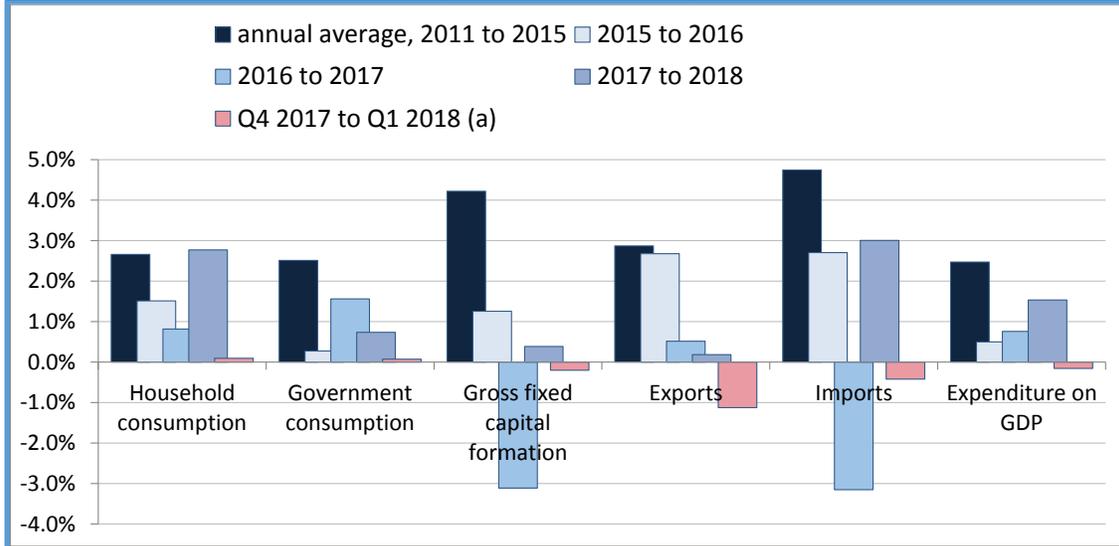


Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in June 2018.

On the expenditure side of the GDP estimate, household expenditure was the principal driver of growth in the year to the first quarter of 2018, reaching 2.8% (see Graph 4). Government expenditure grew by a relatively low 0.7% over that time period, a significant slowdown compared to the 1.6% growth experienced in the year prior, indicative of fiscal consolidation.

Expenditure on exports grew 0.2%, reflecting lower growth compared to previous years. In the first quarter of 2018, expenditure on exports fell by 1.1%. In the same quarter, the reported value of exports dropped due to a highly unusual R10-billion export of petroleum in the final quarter of 2017. As discussed in the [briefing note](#) page 16 on the GDP estimates, this once-off export was equal in size to around two months of petroleum imports, and not in line with South Africa’s normal trade patterns. Expenditure on imports grew by 3% over the past year, overcoming the 3% decline between 2016 and 2017.

Graph 4: Change in expenditure on the GDP, year to first quarter and fourth quarter 2017 to first quarter 2018

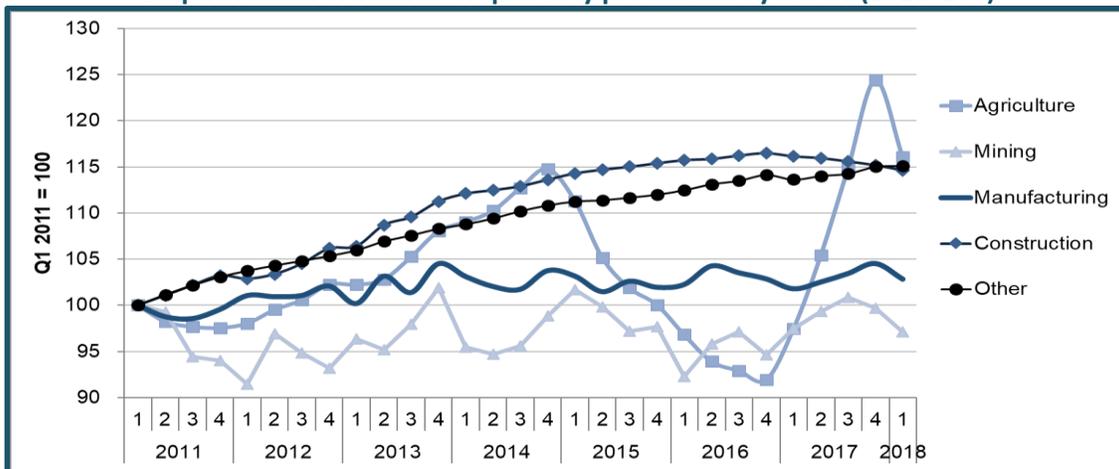


Note: (a) seasonally adjusted, not annualised. Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in June 2018.

Production data reveal that agricultural output declined in the first quarter of 2018, after a sustained recovery in 2017 from the 2015/16 drought (see Graph 5). As indicated, this was presumably attributable to lower than expected harvests in the Western Cape.

Manufacturing output also experienced a decline in the first quarter of 2018 after growth in 2017, although it remained higher than a year earlier. Mining continued its fall from its most recent peak in the third quarter of 2017, falling in the fourth quarter of 2017 and continuing this decline in the first quarter of 2018. The construction sector saw continued declines in production in the first quarter of 2018 from the fourth quarter of 2016.

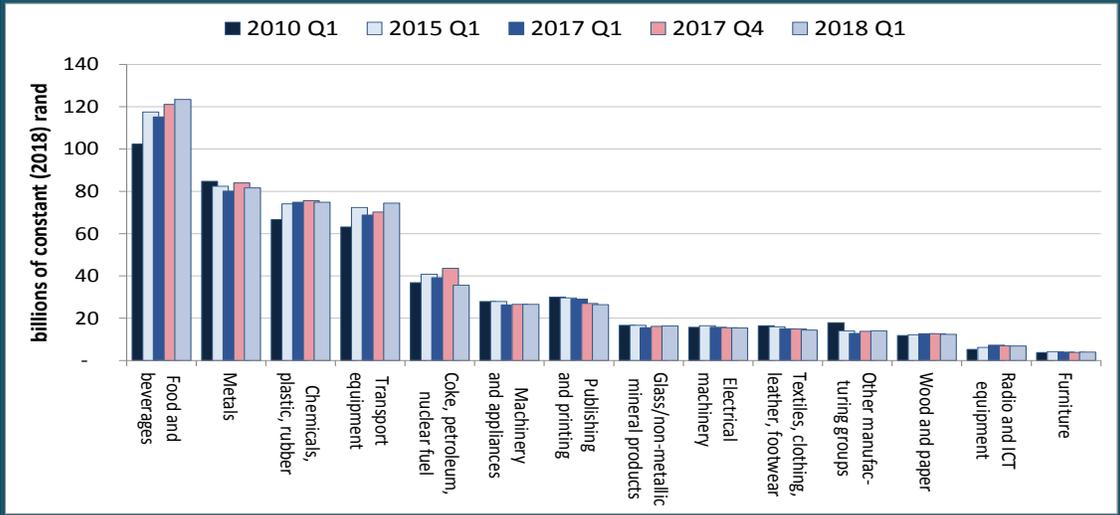
Graph 5: Index of volume of quarterly production by sector (2011=100)



Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in June 2018.

Manufacturing sales increased by 1.9% (in constant 2018 rand) between the first quarters of 2017 and 2018, while experiencing a decline of 1% in the last quarter. Over the past year, growth was sharply divided by sector. Three large industries were principally responsible for growth: food and beverages, which saw sales growth of 7.1%; transport equipment (8.2%); and metals (1.9%). Smaller industries including machinery and appliances; glass and non-metallic mineral products; and other manufacturing groups saw growth rates of between 1% and 9.6%. The other manufacturing industries (coke, petroleum products and nuclear fuel; publishing and printing; electrical machinery; clothing and footwear; wood and paper; radio and ICT equipment; and furniture) all saw falling sales (see Graph 6).

Graph 6: Manufacturing sales in constant (2018) rand (a), first quarter 2010, 2015, 2017, fourth quarter 2017 and first quarter 2018



Note: (a) Deflated with CPI rebased to first quarter 2018. Source: StatsSA. Manufacturing volume and sales. Excel spreadsheet. Downloaded in May 2018.